Revenue Summaries

This section summarizes the revenue that is estimated to be received by the state in fiscal years 2014 and 2015. It is important to note that because all revenue that the state anticipates receiving in fiscal years 2014 and 2015 is summarized in this section, the revenue summaries include anticipated revenue that is not proposed for spending in this Executive Budget.

Detailed information on the economic forecast that drives the state's revenue estimates and the methods used to prepare the estimates are provided in Section B - Economic Forecast.

This section contains three pie charts that show summaries of the state's revenue estimates. Each is listed and described below.

Figure C-1, Total GRF Revenues Pie Chart: This pie chart shows the total estimated General Revenue Fund (GRF) revenue by major revenue source. All revenue from major state taxes (personal income tax, sales and use tax, business taxes, etc.) is deposited into the GRF along with revenue received from the federal government as reimbursement to the state for certain GRF expenditures made by the Department of Job and Family Services and the Department of Medicaid.

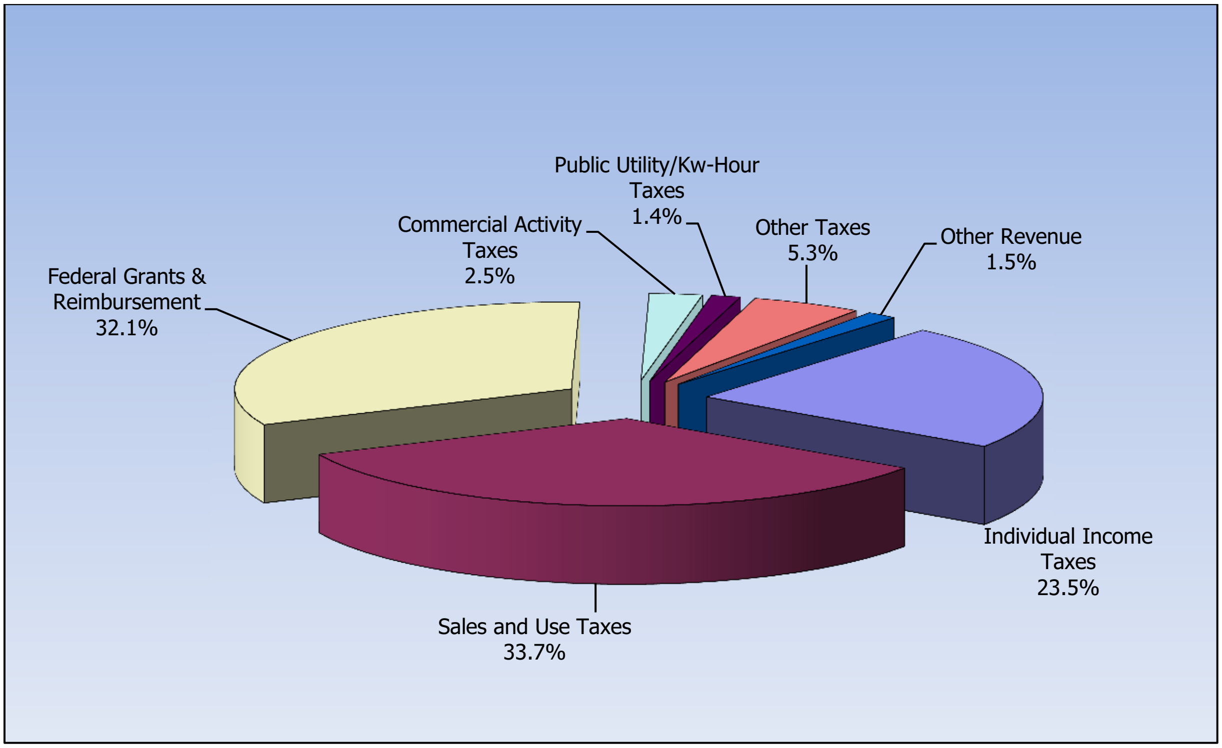
Figure C-2, State-Only GRF Revenue Pie Chart: The federal revenue deposited in the GRF is substantial. It's estimated to be $20.4billion during the fiscal year 2014-2015 biennium. But the inclusion of this federal revenue in the GRF somewhat distorts the role that state tax revenue plays in financing state programs. State tax revenues, not federal reimbursements for human services programs, provide the majority of GRF revenues. To make this clear, this pie chart (labeled "State-Only GRF"), shows GRF revenue by major revenue source excluding the federal reimbursements for GRF spending that the state deposits into the GRF. Approximately 97.8 percent of the state's non-federal GRF revenue is from tax receipts.

Figure C-3, All Funds Revenue: The "all funds" pie chart illustrates how all operating budget revenue is split among the different types of state funds. The GRF provides about 49.7 percent of revenue used for all purposes. In order to create this pie chart the state's 44 budget fund groups have been grouped into the following fund types:

General Funds	Capital Projects Funds	Debt Service Funds
Budget Stabilization	Administrative Building	Debt Service
Education Improvement	Adult Correctional Building	Ohio Parks & Natural Resources
General Revenue	Highway Capital Improvement	Parks & Recreation Improvement
General Services	Highway Safety Building	Transportation Building
	Infrastructure Bank Obligations	
Special Revenue Funds	Juvenile Correctional Building	**Enterprise Funds**
Advanced Energy	Mental Health Facilities Improvement	Liquor Control
Clean Ohio Conservation Program	Local Transportation Improvement	Office of Auditor of State
Coal Research & Development	Lottery Profit Education	State Lottery
Cultural & Sports Facilities Building	Revenue Distribution	Underground Parking
Facilities Establishment	School Building Assistance	Workers' Compensation
Federal Special Revenue	State Special Revenue	
Higher Education Improvement	Third Frontier Research & Development	**Agency Funds**
Highway Operating	Tobacco Settlement	Accrued Leave Liability
Highway Safety	Waterways Safety	Agency
	Wildlife	Holding Account Redistribution
		Volunteer Firefighter Dependents

Revenue Summaries

Figure C-1: Total GRF – Estimated Revenues for FYs 2014 and 2015



Estimated GRF Revenues
($ in millions)

Revenue Source	FY 2014	FY 2015	Total
Individual Income Taxes	$ 7,733.7	$ 7,182.0	$ 14,915.6
Sales and Use Taxes	$ 10,199.3	$ 11,171.9	$ 21,371.2
Federal Grants & Reimbursement	$ 9,423.3	$ 10,982.1	$ 20,405.4
Commercial Activity Taxes	$ 795.1	$ 820.9	$ 1,616.0
Public Utility/Kilowatt-Hour Taxes	$ 449.1	$ 440.5	$ 889.7
Other Taxes	$ 1,623.9	$ 1,745.3	$ 3,369.2
Other Revenue	$ 453.5	$ 481.1	$ 934.6
Total	**$ 30,677.9**	**$ 32,823.8**	**$ 63,501.7**

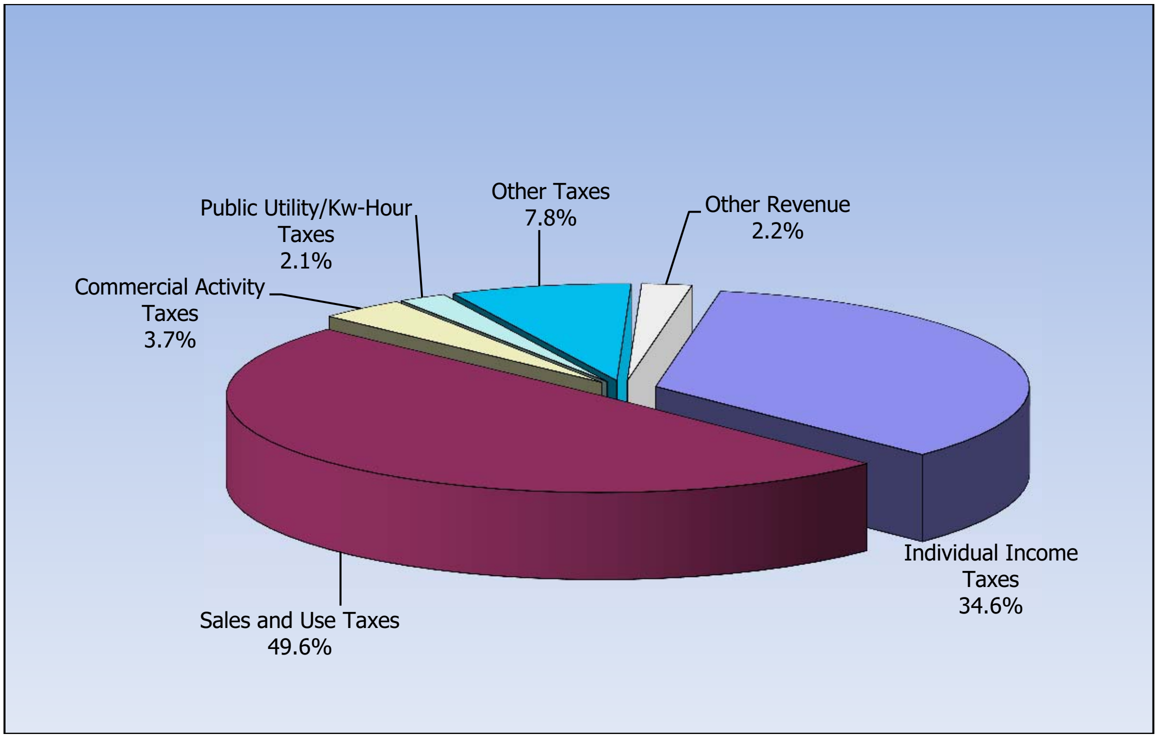
Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, February 2013

What This Chart Shows

This pie chart shows the proportional contribution that each revenue source makes toward the state's general revenue Fund. All revenue coming into the State Treasury that is not specifically authorized by law to be placed in another fund is deposited in the GRF.

Revenue Summaries

Figure C-2: State-Only GRF – Estimated Revenues for FYs 2014 and 2015



Estimated State-Only GRF Revenues
($ in millions)

Revenue Source	FY 2014	FY 2015	Total
Individual Income Taxes	$ 7,733.7	$ 7,182.0	$ 14,915.6
Sales and Use Taxes	$ 10,199.3	$ 11,171.9	$ 21,371.2
Commercial Activity Taxes	$ 795.1	$ 820.9	$ 1,616.0
Public Utility/Kilowatt-Hour Taxes	$ 449.1	$ 440.5	$ 889.7
Other Taxes	$ 1,623.9	$ 1,745.3	$ 3,369.2
Other Revenue	$ 453.5	$ 481.1	$ 934.6
Total	**$ 21,254.6**	**$ 21,841.7**	**$ 43,096.3**

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, February 2013

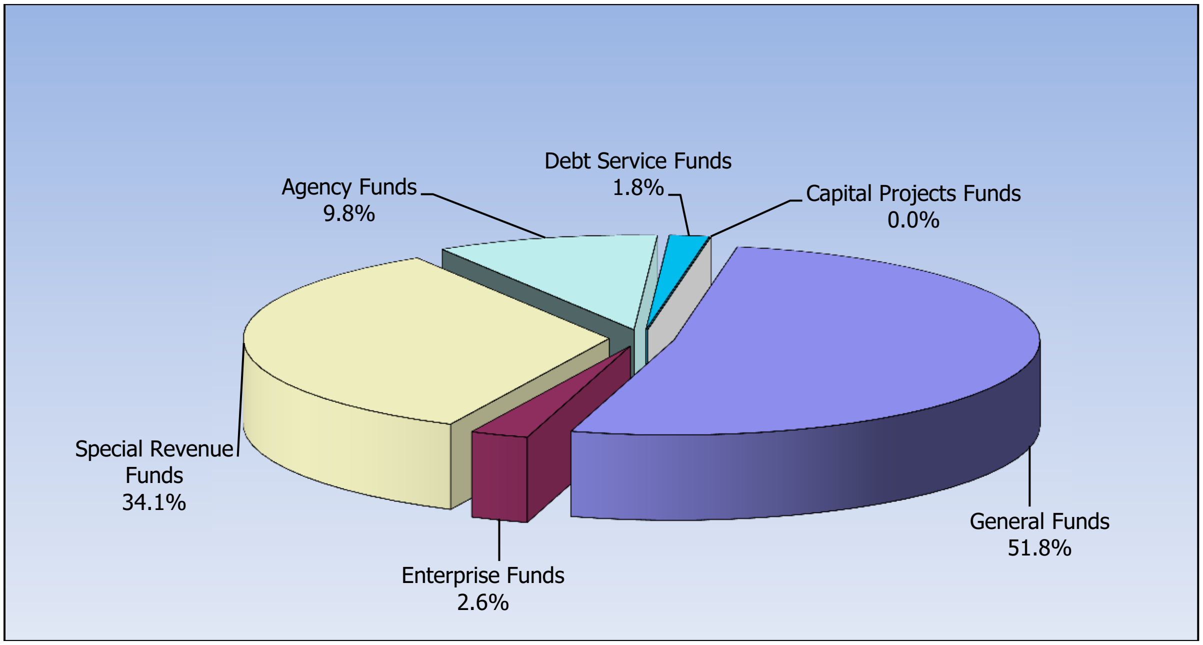
Please Note: These figures do not include $20,405.4 million of estimated federal revenue ($9,423.3 million in FY 2014 and $10,982.1 million in FY 2014) in the GRF.

What This Chart Shows

This pie chart shows the proportional contribution that each revenue source, except federal reimbursements, makes toward the state's GRF. Approximately 97.8 percent of the revenue represented in this chart comes from state tax receipts, which are paid by individuals and companies living, working, and doing business in Ohio.

Revenue Summaries

Figure C-3: All Funds – Estimated Revenues for FYs 2014 and 2015



All Funds Estimated Revenues
($ in millions)

Revenue Source	FY 2014	FY 2015	Total
General Funds	$ 31,991.3	$ 34,149.3	$ 66,140.5
Enterprise Funds	$ 1,613.5	$ 1,691.3	$ 3,304.9
Special Revenue Funds	$ 21,561.4	$ 22,001.6	$ 43,563.0
Agency Funds	$ 6,162.4	$ 6,393.6	$ 12,556.0
Debt Service Funds	$ 1,083.6	$ 1,158.3	$ 2,242.0
Capital Projects Funds	$ 0.5	$ 0.5	$ 1.0
Total	**$ 62,412.7**	**$ 65,394.6**	**$ 127,807.4**

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, February 2013

What This Chart Shows

This pie chart shows the different types of state funds into which all the state's estimated revenue is deposited. General Funds account for revenue that is traditionally associated with government that is not required to be accounted for in other funds. Enterprise Funds account for operations financed and operated in a manner similar to a private business. Special Revenue Funds account for revenue that is legally restricted to specific purposes. Agency Funds include moneys received, held and disbursed by the state as a custodian or agent. Debt Service Funds account for revenue used to pay the principal and interest on general long-term debt. Capital Projects Funds account for the acquisition of fixed assets and construction and repair of capital facilities other than those financed by enterprise service funds.

Spending Summaries

The charts and tables in this section summarize the spending recommended by Governor Kasich for the fiscal year 2014 and 2015 biennium. Three pie charts appear first, followed by two tables. The charts and tables are listed below with a brief description of what each one shows.

Figure C-4, Total GRF Appropriations Pie Chart: This pie chart shows the Governor's recommended appropriations for the total General Revenue Fund (GRF) by major spending category. All revenue from major state taxes (income tax, sales tax, business taxes, etc.) is deposited into and appropriated from the General Revenue Fund along with revenue received from the federal government as reimbursement to the state for certain General Revenue Fund expenditures made by the Department of Job and Family Services and the Department of Medicaid.

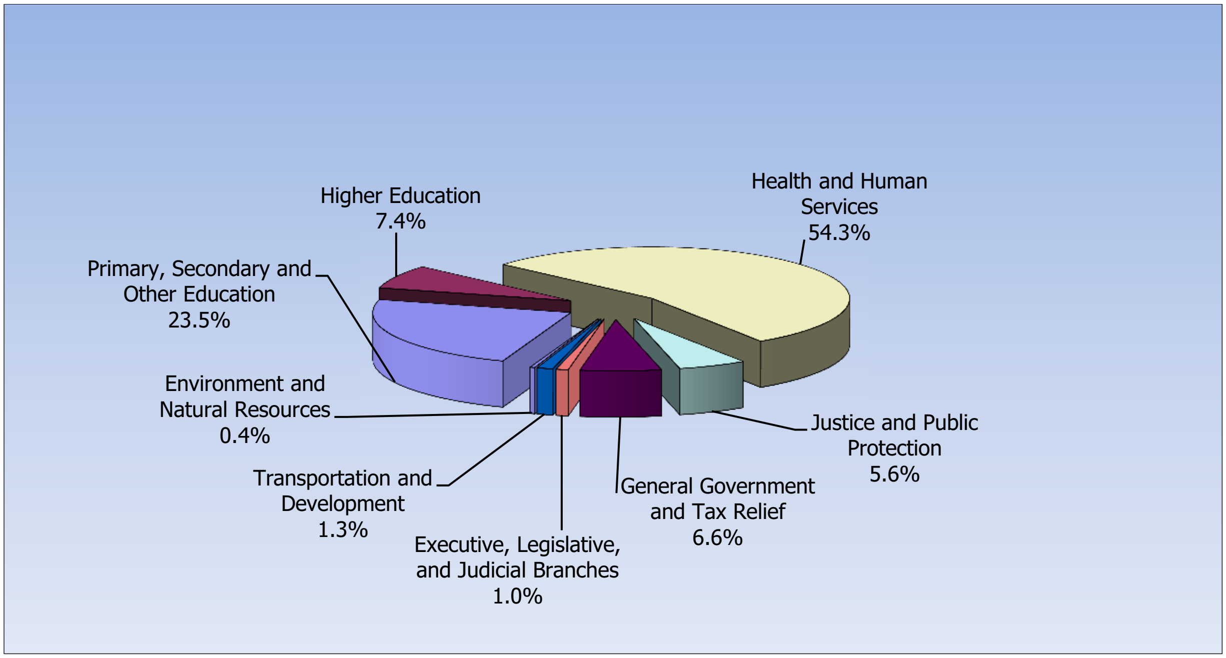
Figure C-5, State-Only GRF Appropriations Pie Chart: While tax revenue makes up the great majority of the GRF, the GRF also includes revenue that the state receives from the federal government as reimbursement for certain GRF expenditures. This "federal share" of GRF spending for these programs is substantial. It is estimated to be $20.5 billion during the FY 2014-15 biennium. The federal share of GRF spending somewhat distorts the role that state tax revenue plays in financing state programs because state taxes, not federal reimbursements for human services programs, finance the majority of GRF spending. To make this clear, Figure C-5 shows recommended GRF appropriations by major spending category without the federal share of the GRF.

Figure C-6, All Funds Appropriations Pie Chart: The third chart that summarizes recommended appropriations is Figure C-6. The "all funds" chart shows how all recommended operating budget appropriations for the fiscal year 2014-15 biennium are split among the major spending categories.

Figure C-7, Expense by Object Summary: This table shows actual (fiscal years 2011 to 2012) and estimated (fiscal year 2013) spending and recommended appropriations (fiscal years 2014 and 2015) by major object of expense. This information is shown for the General Revenue Fund and for all funds.

Spending Summaries

Figure C-4: Total GRF – Recommended Appropriations for FYs 2014 and 2015



Recommended GRF Appropriations
($ in millions)

Function		FY 2014		FY 2015		Total
Primary, Secondary and Other Education	$	7,320.0	$	7,540.4	$	14,860.4
Higher Education	$	2,323.0	$	2,376.1	$	4,699.1
Health and Human Services	$	16,293.5	$	18,013.0	$	34,306.5
Justice and Public Protection	$	1,760.2	$	1,753.9	$	3,514.1
General Government and Other	$	2,049.3	$	2,123.5	$	4,172.8
Executive, Legislative and Judicial Branches	$	308.8	$	311.0	$	619.8
Transportation and Development	$	400.8	$	423.9	$	824.7
Environment and Natural Resources	$	116.6	$	120.1	$	236.7
Total	**$**	**30,572.2**	**$**	**32,662.0**	**$**	**63,234.2**

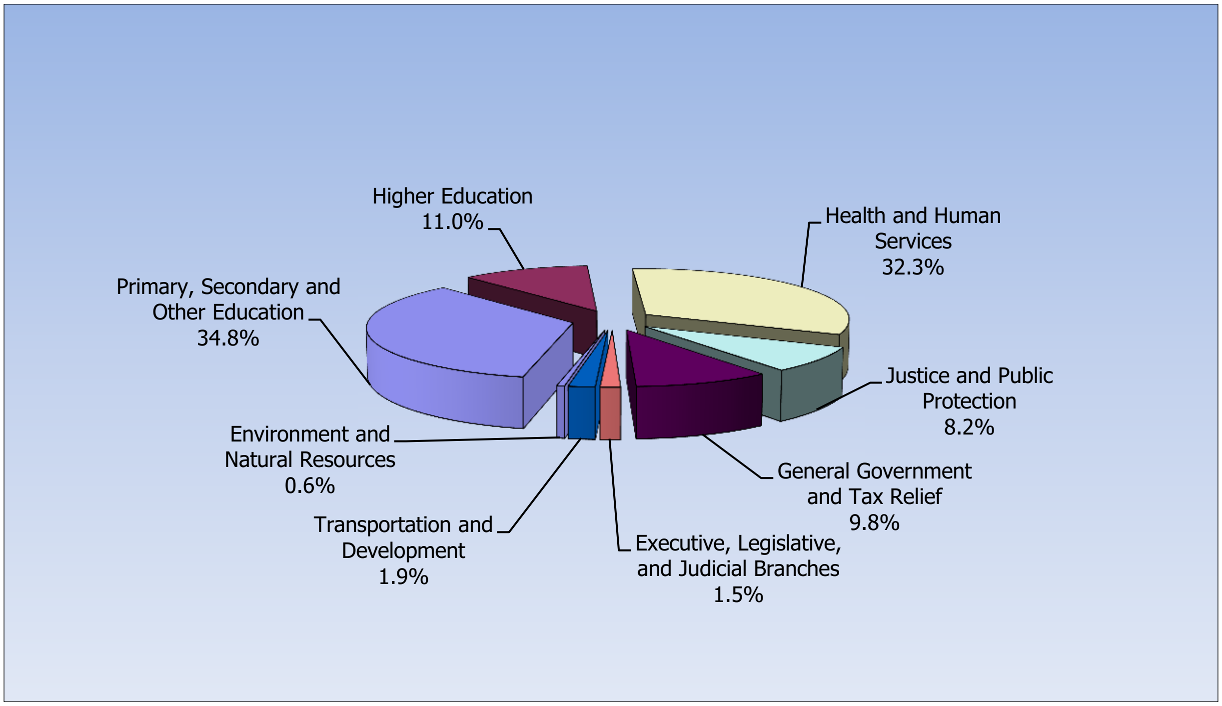
Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, February 2013

What This Chart Shows

This pie chart shows the share of the state's General Revenue Fund (GRF) that is used for each major function of state government. The General Revenue Fund is the state's largest single fund and it finances about one-half of all state government activities.

Spending Summaries

Figure C-5: State-Only GRF – Recommended Appropriations for FYs 2014 and 2015



Recommended State-Only GRF Appropriations
($ in millions)

Function		FY 2014		FY 2015		Total
Primary, Secondary and Other Education	$	7,320.0	$	7,540.4	$	14,860.4
Higher Education	$	2,323.0	$	2,376.1	$	4,699.1
Health and Human Services	$	6,832.0	$	6,984.8	$	13,816.8
Justice and Public Protection	$	1,760.2	$	1,753.9	$	3,514.1
General Government and Other	$	2,049.3	$	2,123.5	$	4,172.8
Executive, Legislative and Judicial Branches	$	308.8	$	311.0	$	619.8
Transportation and Development	$	400.8	$	423.9	$	824.7
Environment and Natural Resources	$	116.6	$	120.1	$	236.7
Total	**$**	**21,110.7**	**$**	**21,633.8**	**$**	**42,744.5**

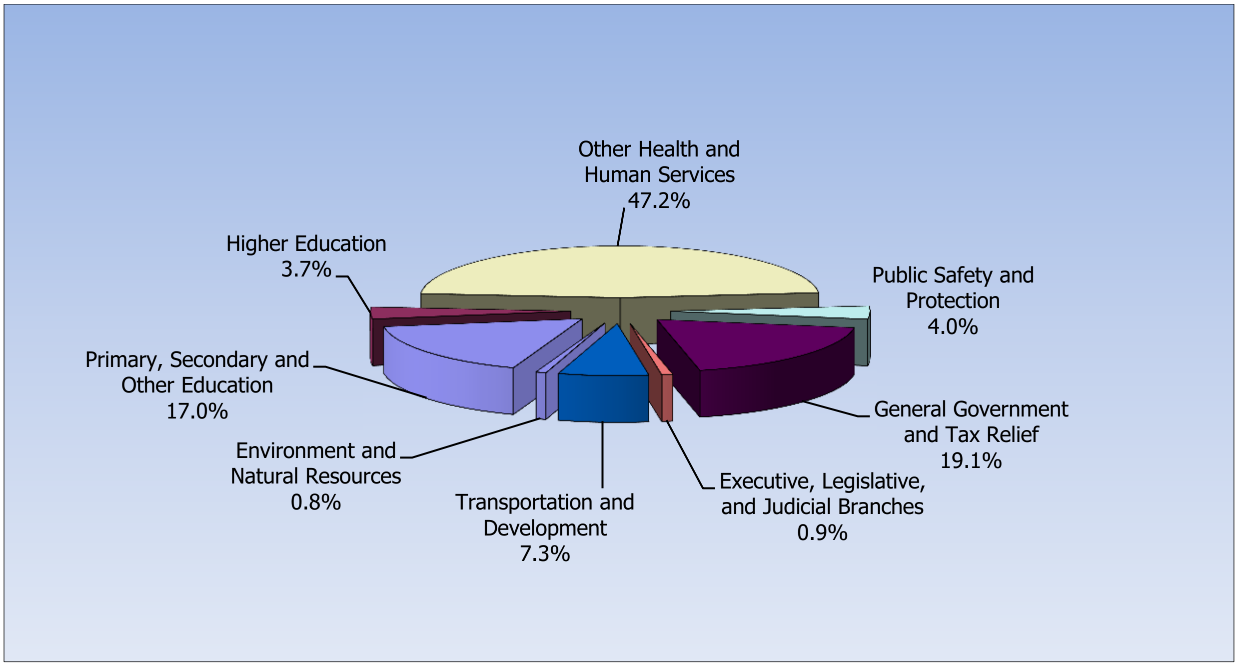
Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, February 2013

What This Chart Shows

This pie chart shows the share of the tax revenue portion of the General Revenue Fund (GRF) that is used for each major function of state government. The federal share of the proposed GRF appropriations for the Department of Job and Family Services is not shown in order to give a truer picture of how state tax dollars are spent.

Spending Summaries

Figure C-6: All Funds – Recommended Appropriations for FYs 2014 and 2015



All Funds Recommended Appropriations
($ in millions)

Function		FY 2014		FY 2015		Total
Primary, Secondary and Other Education	$	10,958.5	$	11,265.3	$	22,223.8
Higher Education	$	2,374.6	$	2,421.8	$	4,796.4
Health and Human Services	$	29,636.1	$	31,913.8	$	61,549.9
Justice and Public Protection	$	2,644.5	$	2,633.9	$	5,278.4
General Government and Other	$	12,270.2	$	12,598.7	$	24,868.9
Executive, Legislative and Judicial Branches	$	591.0	$	595.3	$	1,186.2
Transportation and Development	$	4,690.4	$	4,782.7	$	9,473.2
Environment and Natural Resources	$	535.1	$	543.1	$	1,078.2
Total	**$**	**63,700.3**	**$**	**66,754.7**	**$**	**130,455.0**

Note: Numbers may not add to total due to rounding.
Source: Ohio Office of Budget and Management, February 2013

What This Chart Shows

This pie chart shows how the total state operating budget is split among the major functions of state government. The General Government function is a much larger share of the all funds pie chart than it is of the General Revenue Fund pie chart revenue distribution funds is included in this category. For more information about these funds, see the Revenue Distribution Fund narrative in section D.

Figure C-7-1: (continued on next page)
(continued on next page)

Expense by Object Summary, Fiscal Years 2010 to 2015
($ in millions)

	FY 2010 Actual	% of Total	FY 2011 Actual (Recommended)	% of Total	FY 2012 Actual	% of Total
General Revenue Fund						
Personal Service	$ 1,735.0	7.2%	$ 1,717.9	6.6%	$ 1,818.3	6.9%
Purchased Personal Services	$ 265.0	1.1%	$ 235.8	0.9%	$ 244.1	0.9%
Maintenance	$ 428.6	1.8%	$ 400.5	1.5%	$ 436.8	1.7%
Equipment	$ 5.9	0.0%	$ 15.4	0.1%	$ 29.7	0.1%
Total Operating	$ 2,434.5	10.1%	$ 2,369.5	9.1%	$ 2,528.8	9.6%
Subsidy	$ 20,667.3	86.0%	$ 22,705.0	87.1%	$ 23,073.6	87.4%
Goods for Resale	$ -	0.0%	$ -	0.0%	$ -	0.0%
Capital	$ 0.2	0.0%	$ 0.0	0.0%	$ 0.2	0.0%
Transfers and Other	$ 928.9	3.9%	$ 995.5	3.8%	$ 791.9	3.0%
Total Expense	$ 24,030.9	100.0%	$ 26,070.1	100.0%	$ 26,394.6	100.0%
All Funds						
Personal Service	$ 4,361.6	7.8%	$ 4,505.3	7.7%	$ 4,264.9	7.5%
Purchased Personal Services	$ 914.4	1.6%	$ 1,046.2	1.8%	$ 1,021.4	1.8%
Maintenance	$ 1,328.2	2.4%	$ 1,351.9	2.3%	$ 1,433.8	2.5%
Equipment	$ 116.4	0.2%	$ 160.3	0.3%	$ 175.1	0.3%
Total Operating	$ 6,720.6	12.1%	$ 7,063.6	12.1%	$ 6,895.2	12.2%
Subsidy	$ 37,219.0	66.8%	$ 39,181.4	66.9%	$ 38,281.9	67.5%
Goods for Resale	$ 533.4	1.0%	$ 560.3	1.0%	$ 559.9	1.0%
Capital	$ 1,792.7	3.2%	$ 1,966.0	3.4%	$ 2,131.5	3.8%
Transfers and Other	$ 9,461.8	17.0%	$ 9,796.0	16.7%	$ 8,872.8	15.6%
Total Expense	$ 55,727.6	100.0%	$ 58,567.3	100.0%	$ 56,741.2	100.0%

Note: Figures may not add to total due to rounding
Source: Ohio Office of Budget and Management, February 2013

Spending Summaries

Figure C-7-2 (continued from previous page)
Expense by Object Summary, Fiscal Years 2010 to 2015
($ in millions)

	2013 Actual	% of Total	Recommended 2014 Actual	% of Total	2015 Actual	% of Total
General Revenue Fund						
Personal Service	$ 1,833.3	6.6%	$ 1,822.2	6.0%	$ 1,817.3	5.6%
Purchased Personal Services	$ 224.4	0.8%	$ 443.2	1.4%	$ 477.1	1.5%
Maintenance	$ 479.3	1.7%	$ 382.5	1.3%	$ 371.7	1.1%
Equipment	$ 9.4	0.0%	$ 14.1	0.0%	$ 13.3	0.0%
Total Operating	$ 2,546.4	9.2%	$ 2,662.1	8.7%	$ 2,679.4	8.2%
Subsidy	$ 23,712.6	85.7%	$ 26,572.2	86.9%	$ 28,567.3	87.5%
Goods for Resale	$ -	0.0%	$ -	0.0%	$ -	0.0%
Capital	$ -	0.0%	$ -	0.0%	$ -	0.0%
Transfers and Other	$ 1,396.6	5.1%	$ 1,337.9	4.4%	$ 1,415.3	4.3%
Total Expense	$ 27,655.6	100.0%	$ 30,572.2	100.0%	$ 32,662.0	100.0%
All Funds						
Personal Service	$ 4,475.2	7.5%	$ 4,533.5	7.1%	$ 4,587.4	6.9%
Purchased Personal Services	$ 1,290.1	2.1%	$ 1,582.4	2.5%	$ 1,567.6	2.3%
Maintenance	$ 1,639.6	2.7%	$ 1,528.0	2.4%	$ 1,507.7	2.3%
Equipment	$ 214.5	0.4%	$ 202.1	0.3%	$ 193.9	0.3%
Total Operating	$ 7,619.3	12.7%	$ 7,846.0	12.3%	$ 7,856.6	11.8%
Subsidy	$ 42,160.9	70.2%	$ 45,612.0	71.6%	$ 48,163.1	72.1%
Goods for Resale	$ 616.3	1.0%	$ 126.6	0.2%	$ 127.0	0.2%
Capital	$ 1,962.5	3.3%	$ 2,181.6	3.4%	$ 2,291.5	3.4%
Transfers and Other	$ 7,665.8	12.8%	$ 7,934.2	12.5%	$ 8,316.4	12.5%
Total Expense	$ 60,024.8	100.0%	$ 63,700.3	100.0%	$ 66,754.7	100.0%

Note: Figures may not add to total due to rounding
Source: Ohio Office of Budget and Management, February 2013

Fund Balance Summaries

Fund Balance Summaries Overview

The purpose of this section is to summarize the state's estimated ending fund balances for fiscal years 2014 and 2015. For the state's General Revenue Fund (GRF) and Budget Stabilization Fund, the planned fund balances for these two funds are shown, in Figure C-8 and Figure C-9, in the context of a 10-year history of ending balances. Fund balance calculations for fiscal years 2014 and 2015 are shown in Figure C-10 for the state's GRF and for other major budget fund groups. Some small or minor budget fund groups are combined for the purposes of these fund balance calculations.

Fund Balance Calculations by Fund Type and Budget Fund Group

The state has over 1,000 funds that are active in the Ohio Administrative Knowledge System as of January 2013. Each of these funds is assigned to one of 44 budget fund groups. For financial reporting purposes, each of the 44 fund groups is assigned to one of six fund types. The state's six fund types are as follows: General Funds, Enterprise Funds, Special Revenue Funds, Agency Funds, Debt Service Funds, and Capital Projects Funds. The relationship between the six fund types and the 44 budget fund groups is shown on page C-1 of the Executive Budget. The fund types and budget fund groups for which fund balance calculations are shown in Figure C-10 are described below.

Fund Type: General Funds: Fund balance calculations are shown for the GRF (which is the only fund in the General Revenue Budget Fund Group) and the General Services Budget Fund Group. A fund balance calculation is also shown for All Other General Funds.

Fund Type: Enterprise Funds: Fund balance calculations are shown for each of the five enterprise fund groups: Workers' Compensation, Liquor Control, State Lottery, Underground Parking, and Office of Auditor of State.

Fund Type: Special Revenue Funds: Fund balance calculations are shown for these special revenue fund groups: Federal Special Revenue, Highway Operating, Highway Safety, Revenue Distribution, State Special Revenue, Waterways Safety, and Wildlife. A calculation is also shown for All Other Special Revenue Fund Groups.

Fund Type: Agency Funds: A fund balance calculation is shown for the Agency Fund Group.

Fund Type: Debt Service Funds: A fund balance calculation is shown for the Debt Service Fund Group.

Fund Type: Capital Projects Funds: A fund balance calculation is shown for the Capital Projects Fund Group.

Fund Balances for the General Revenue Fund and the Budget Stabilization Fund

The GRF balance at the end of a fiscal year is one measure used by state officials and independent financial analysts to assess a state's financial management practices and its financial condition. In addition, the Ohio Constitution requires the state to maintain a balanced budget. The budget proposed by the Governor for fiscal years 2014 and 2015 will provide an ending fund balance of more than 0.5 percent of the previous year annual GRF revenue, as required by law each year, as Figure C-8 and Figure C-9 show.

Another measure of the financial health of a state is whether the state has a budget stabilization fund and, if it does, what balances are being maintained in the fund. Since 1981, Ohio has had a budget stabilization fund. And, as seen in Figure C-8 and Figure C-9, the fiscal year ending balances in the fund have varied greatly during the ten fiscal years that are shown.

Prudent fiscal management policy further suggests that a state achieve a Budget Stabilization Fund (BSF) balance equal to approximately five percent of annual GRF revenues. Ohio had reached this goal prior to the 2000-2001 recession. However, the state was forced to use the BSF in the fiscal year 2002-2003 biennium to offset declines in revenue growth and the large increases in Medicaid expenditures that resulted from that recession. During fiscal years 2005 and 2006, the state was able to replenish the balance of the BSF to the point at which it held $1,012.3 billion. However, this balance was depleted at the end of fiscal year 2009 in response to decreases in revenues as a result of the 2007 to 2009 recession. Since the state had a budget surplus in both fiscal years 2011 and 2012, deposits were made to the BSF after the close of the fiscal years. These deposits increased the BSF balance to the current level of $482.0 million. The state expects another budget surplus in FY 2013. This surplus is expected to be large enough to allow a BFS deposit that will bring the BSF balance to its statutory maximum level of five percent of annual GRF revenues and allow a deposit to the Income Tax Reduction Fund (ITRF). The deposit to the ITRF will create an income tax cut for the tax year 2013. The transfer to the BSF after the close of FY 2013 is expected to be $978.7 million, which would bring the BSF balance to $1,460.7 million. The budget surplus in excess of what would be needed to bring the BFS

Fund Balance Summaries

balance to the five percent maximum is expected to be enough to generate a tax year 2013 income tax cut of roughly four percent. This would be the first ITRF tax cut since tax year 2000.

Figure C-8: History of Ending Fund Balances for the General Revenue Fund and the Budget Stabilization Fund, FYs 2006 to 2015
($ in millions)

Date	Ending Balance	% of GRF Revenues	Ending Balance	% of GRF Revenues
Est. 6/30/15	$191.3	0.6%	$1,460.7	4.5%
Est. 6/30/14	$160.4	0.5%	$1,460.7	4.8%
Est. 6/30/13	$146.1	0.5%	$1,460.7	5.0%
6/30/2012	$135.9	0.5%	$482.0	1.8%
6/30/2011	$183.8	0.7%	$246.9	0.9%
6/30/2010	$139.1	0.6%	$0	0.0%
6/30/2009	$389.1	1.5%	$0	0.0%
6/30/2008	$807.6	3.0%	$1,012.3	3.8%
6/30/2007	$215.5	0.8%	$1,102.3	3.9%
6/30/2006	$631.9	2.4%	$1,102.3	3.9%

Figure C-9: GRF and BSF Ending Balances as a Share of Annual GRF Revenues, FYs 2006 to 2015

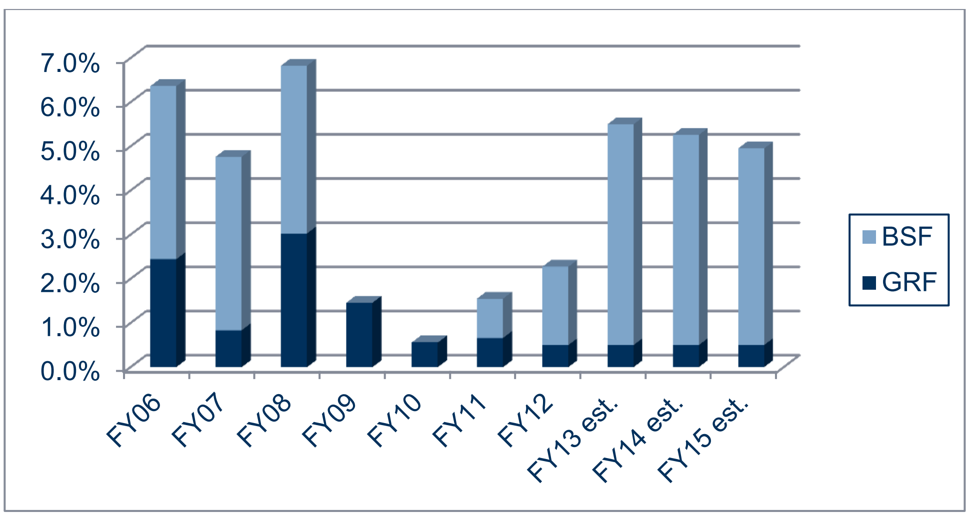


Figure C-10: Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FY 2014 and 2015
($ in millions)

Beginning Balance	GENERAL FUNDS			ENTERPRISE FUNDS				SPECIAL REVENUE FUNDS	
	GENERAL REVENUE	GENERAL SERVICES	BUDGET STABILIZE	WORKERS COMPENSATION	LIQUOR CONTROL	STATE LOTTERY	OTHER ENTERPRISE FUNDS	FEDERAL SPECIAL REVENUE	HIGHWAY OPERATING
2014 Beginning Balance	146.07	797.99	1,460.70	115.17	0.00	509.61	14.50	396.08	981.65
Estimated Revenue									
Taxes	20,801.11	14.65	0.00	0.00	0.00	0.00	0.00	0.00	696.50
Federal Grants	9,423.30	121.51	0.00	0.00	0.00	0.00	0.00	10,623.54	1,337.45
Licenses and Fees	46.00	244.09	0.00	0.00	0.00	100.00	6.66	9.99	83.04
Other Income	53.90	1,263.13	0.00	312.85	5.44	1,145.27	43.31	2,326.27	300.40
Transfers In	353.59	216.19	0.00	0.00	0.00	22.65	0.00	3.50	530.00
Total Resources Available	30,823.98	2,657.56	1,460.70	428.02	5.44	1,777.53	64.47	13,359.37	3,929.04
Proposed Expenditures									
Primary, Secondary & Other Education	8,106.96	173.56	0.00	0.00	0.00	0.00	0.00	2,049.76	0.00
Higher Education	2,101.79	9.76	0.00	0.00	0.00	0.00	0.00	21.54	0.00
Public Assistance and Medicaid	15,288.52	472.31	0.00	0.00	0.00	0.00	0.00	6,883.09	0.00
Health & Human Services	997.46	302.67	0.00	0.00	0.00	0.00	0.00	3,315.86	0.00
Justice and Public Protection	1,971.46	180.00	0.00	0.00	0.00	0.00	0.00	219.49	0.00
Environmental Protection & Natural Resources	92.32	38.62	0.00	0.00	0.00	0.00	0.00	74.94	0.00
Transportation	10.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,795.28
General Government	341.41	584.07	0.00	337.40	5.44	335.48	47.24	20.90	0.00
Commerce & Econ Development	711.34	51.76	0.00	0.00	0.00	0.00	0.00	430.20	0.00
Other Spending	950.90	0.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers Out	91.35	12.22	0.00	0.85	0.00	997.65	0.00	0.02	190.00
Summary	**30,663.56**	**1,825.21**	**0.00**	**338.25**	**5.44**	**1,333.13**	**47.24**	**13,015.79**	**2,985.28**
Projected Lapses									
Lapses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending Balance									
2014 Ending Balance	160.41	832.35	1,460.70	89.77	0.00	444.40	17.23	343.58	943.76

Figure C-10: Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FY 2014 and 2015
($ in millions)

Beginning Balance	GENERAL FUNDS			ENTERPRISE FUNDS				SPECIAL REVENUE FUNDS	
	GENERAL REVENUE	GENERAL SERVICES	BUDGET STABILIZE	WORKERS COMPENSATION	LIQUOR CONTROL	STATE LOTTERY	OTHER ENTERPRISE FUNDS	FEDERAL SPECIAL REVENUE	HIGHWAY OPERATING
2015 Beginning Balance	160.41	832.35	1,460.70	89.77	0.00	444.40	17.23	343.58	943.76
Estimated Revenue									
Taxes	21,360.55	14.65	0.00	0.00	0.00	0.00	0.00	0.00	696.50
Federal Grants	10,982.08	127.34	0.00	0.00	0.00	0.00	0.00	10,856.82	1,352.36
Licenses and Fees	46.00	248.09	0.00	0.00	0.00	125.00	6.69	9.99	83.04
Other Income	57.24	1,289.69	0.00	306.95	5.15	1,203.37	44.19	2,413.71	400.40
Transfers In	377.88	187.58	0.00	0.00	0.00	22.65	0.00	0.00	530.00
Total Resources Available	32,984.16	2,699.70	1,460.70	396.72	5.15	1,795.42	68.11	13,624.10	4,006.05
Proposed Expenditures									
Primary, Secondary & Other Education	8,347.42	187.13	0.00	0.00	0.00	0.00	0.00	1,988.94	0.00
Higher Education	2,127.31	3.76	0.00	0.00	0.00	0.00	0.00	21.54	0.00
Public Assistance and Medicaid	17,005.17	524.11	0.00	0.00	0.00	0.00	0.00	7,385.53	0.00
Health & Human Services	997.92	303.10	0.00	0.00	0.00	0.00	0.00	3,278.74	0.00
Justice and Public Protection	1,967.54	176.15	0.00	0.00	0.00	0.00	0.00	216.79	0.00
Environmental Protection & Natural Resources	94.64	38.69	0.00	0.00	0.00	0.00	0.00	74.06	0.00
Transportation	10.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,912.09
General Government	343.24	568.96	0.00	319.66	5.15	333.58	47.20	20.02	0.00
Commerce & Econ Development	736.50	36.67	0.00	0.00	0.00	0.00	0.00	388.07	0.00
Other Spending	1,032.18	0.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers Out	130.86	5.74	0.00	0.85	0.00	1,097.65	0.00	0.02	190.00
Summary	**32,792.84**	**1,844.55**	**0.00**	**320.51**	**5.15**	**1,431.23**	**47.20**	**13,373.70**	**3,102.09**
Projected Lapses									
Lapses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending Balance									
2015 Ending Balance	191.32	855.15	1,460.70	76.20	0.00	364.19	20.91	250.39	903.97

Figure C-10: Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FY 2014 and 2015
($ in millions)

Beginning Balance	SPECIAL REVENUE FUNDS						AGENCY	DEBT SERVICE	CAPITAL PROJECTS
	STATE HIGHWAY SAFETY	REVENUE DISTRIBUTION	STATE SPECIAL REVENUE	WATERWAYS SAFETY	WILDLIFE	OTHER SPECIAL REVENUE	AGENCY	DEBT SERVICE	CAPITAL PROJECTS
2014 Beginning Balance	206.52	264.38	909.04	24.98	42.61	1,891.53	395.63	32.45	816.58
Estimated Revenue									
Taxes	0.00	2,078.69	159.93	16.00	2.20	0.00	4,037.51	0.00	0.00
Federal Grants	24.15	0.00	11.87	5.98	19.58	0.00	0.00	0.00	0.00
Licenses and Fees	411.26	443.45	2,018.00	5.65	37.55	0.00	184.85	0.00	0.00
Other Income	63.53	1.40	798.86	0.23	3.55	105.94	1,940.02	1,083.65	2.92
Transfers In	38.35	0.00	188.24	1.66	0.00	1,097.69	0.00	0.00	1,237.90
Total Resources Available	743.80	2,787.92	4,085.94	54.50	105.49	3,095.15	6,558.01	1,116.09	2,057.40
Proposed Expenditures									
Primary, Secondary & Other Education	0.00	510.00	63.34	0.00	0.00	841.00	0.25	0.00	0.00
Higher Education	0.00	0.00	12.93	0.00	0.00	8.00	0.00	0.00	0.00
Public Assistance and Medicaid	0.00	0.00	1,655.80	0.00	0.00	0.00	1.00	0.00	0.00
Health & Human Services	0.23	2.25	209.52	0.00	0.00	16.69	0.00	0.00	0.00
Justice and Public Protection	509.86	390.00	168.45	0.00	0.00	0.50	188.50	0.00	0.00
Environmental Protection & Natural Resources	0.00	0.00	208.22	26.28	65.46	0.58	0.00	0.00	0.00
Transportation	0.00	0.00	3.50	0.00	0.00	0.00	0.00	0.00	0.00
General Government	0.00	0.00	398.67	0.00	0.00	0.00	120.83	0.00	967.8
Commerce & Econ Development	0.00	1,481.65	520.48	0.00	0.00	279.87	0.00	0.00	0.00
Other Spending	1.25	0.00	14.90	0.00	0.00	0.00	5,798.49	1,083.65	196.39
Transfers Out	25.91	8.23	83.45	1.66	0.00	23.35	0.73	0.00	0.00
Summary	**537.26**	**2,392.13**	**3,339.27**	**27.94**	**65.46**	**1,169.99**	**6,109.79**	**1,083.65**	**1,164.17**
Projected Lapses									
Lapses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending Balance									
2014 Ending Balance	206.55	395.79	746.67	26.56	40.03	1,925.16	448.22	32.45	893.23

Figure C-10: Fund Balance Calculations by GAAP Fund Type and Budget Fund Group for FY 2014 and 2015 ($ in millions)

Beginning Balance	SPECIAL REVENUE FUNDS						AGENCY	DEBT SERVICE	CAPITAL PROJECTS
	STATE HIGHWAY SAFETY	REVENUE DISTRIBUTION	STATE SPECIAL REVENUE	WATERWAYS SAFETY	WILDLIFE	OTHER SPECIAL REVENUE	AGENCY	DEBT SERVICE	CAPITAL PROJECTS
2015 Beginning Balance	206.55	395.79	746.67	26.56	40.03	1,925.16	448.22	32.45	0.00
Estimated Revenue									
Taxes	0.00	1,914.67	259.81	15.60	2.20	0.00	4,139.07	0.00	0.00
Federal Grants	24.15	0.00	11.38	6.23	18.83	0.00	0.00	0.00	0.00
Licenses and Fees	408.26	438.45	2,063.35	5.70	37.55	0.00	184.85	0.00	0.00
Other Income	63.06	1.40	864.71	0.23	3.50	73.31	2,069.69	1,158.35	1.89
Transfers In	32.34	0.00	151.17	0.00	0.00	1,092.00	0.00	0.00	793.62
Total Resources Available	734.36	2,750.31	4,097.09	54.32	102.10	3,090.47	6,841.83	1,190.79	795.51
Proposed Expenditures									
Primary, Secondary & Other Education	0.00	510.00	63.49	0.00	0.00	974.50	0.25	0.00	0.00
Higher Education	0.00	0.00	12.98	0.00	0.00	8.00	0.00	0.00	0.00
Public Assistance and Medicaid	0.00	0.00	1,715.10	0.00	0.00	0.00	1.00	0.00	0.00
Health & Human Services	0.23	2.25	213.88	0.00	0.00	11.48	0.00	0.00	0.00
Justice and Public Protection	511.90	390.00	170.72	0.00	0.00	0.50	188.50	0.00	0.00
Environmental Protection & Natural Resources	0.00	0.00	212.93	26.11	66.07	0.58	0.00	0.00	0.00
Transportation	0.00	0.00	3.50	0.00	0.00	0.00	0.00	0.00	0.00
General Government	0.00	0.00	390.17	0.00	0.00	0.00	129.22	0.00	983.14
Commerce & Econ Development	0.00	1,465.55	509.88	0.00	0.00	279.89	0.00	0.00	0.00
Other Spending	1.25	0.00	15.15	0.00	0.00	0.00	6,012.48	1,158.35	216.62
Transfers Out	25.08	8.10	65.55	0.00	0.00	8.55	0.00	0.00	0.00
Summary	**538.47**	**2,375.90**	**3,373.33**	**26.11**	**66.07**	**1,283.50**	**6,331.45**	**1,158.35**	**1,199.76**
Projected Lapses									
Lapses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending Balance									
2015 Ending Balance	195.89	374.41	723.76	28.21	36.03	1,806.97	510.38	32.45	-404.25

State Appropriation Limitation

This narrative provides an explanation of the State Appropriations Limitation (SAL) and satisfies the obligations under ORC 107.33 which requires the following:

"As part of the state budget the governor submits to the general assembly under section 107.33 of the Revised Code, the governor shall include the state appropriation limitations the general assembly shall not exceed when making aggregate general revenue fund appropriations for each respective fiscal year of the biennium covered by that budget."

The SAL was enacted in the spring of 2006 with the intent of limiting growth in General Revenue Fund (GRF) spending by imposing the following restrictions:

- Limits the growth of most GRF appropriations to the greater of 3.5 percent or the sum of the inflation rate plus rate of population change (Combination Rate).
- Permits exceptions to the limitation only in response to specifically eligible emergencies declared by the Governor.
- Requires the approval of at least three-fifths of the General Assembly to exceed the limitation in any year.
- Recasts the limitation every fourth year (last completed prior to FY 2012) to prevent the build-up of excess capacity that could result in large appropriation increases in certain years.

As outlined above, among the several non-tobacco budget related items contained in Senate Bill 321 of the 126th General Assembly (the tobacco budget bill), was a provision setting a limitation on the amount of GRF appropriations that can be recommended to and enacted by the General Assembly. This restriction, referred to as the SAL imposes limits on the annual growth of most GRF appropriations to the greater of 3.5 percent or the sum of the rate of inflation plus the rate of population change. The intent of this narrative is to provide a general overview of the provisions of the SAL and identify the limitation for the fiscal years 2014-2015 biennial budget.

What the SAL Covers

While most GRF appropriations are governed under the restrictions imposed by the SAL, there are three specific categories exempted from the limitation. While one of these exempted categories (appropriation of moneys received as gifts) is insignificant in terms of the amount of money involved, the other categories represent a significant portion of GRF appropriations and have been growing more rapidly than the GRF as a whole in recent years. These categories are the appropriations of moneys received from the federal government, appropriations made for tax relief and refunds, or refunds of other overpayments. These exempted categories are significant in that in fiscal year 2013 they are estimated at $9.3 billion, an amount equal to 47.3 percent of all fiscal year appropriations subject to the SAL calculation.

After accounting for the exempted categories identified above, the GRF appropriations to which the SAL applies are defined in statute as "aggregate General Revenue Fund appropriations." In order to prevent exempting aggregate GRF appropriations from the limitation in future years by shifting them from the GRF to another funding source, any item identified as comprising part of the aggregate GRF appropriations either at the setting of the SAL in fiscal year 2007 or at any point in the future, will always be considered as counting toward the SAL, a label that will apply even if the item is eventually moved to a non-GRF fund.

The Role of the Governor and the Office of Budget and Management

As part of the responsibility of submitting the Executive Budget Recommendations to the General Assembly, the statutes governing the SAL require the Governor to identify and set the limitation for each year of the biennium. Once the limitation is set, the General Assembly is generally prohibited from exceeding it in the appropriations it makes during the course of the biennium.

Calculating the SAL: History, the FY 2012 Recast, and Setting the FY 2014 – 2015 Limitation

Under direction from the Governor, OBM applied the statutory framework discussed above to FY 2007 estimated appropriation levels. Assuming at the time that estimated GRF appropriations for fiscal year 2007 would remain unchanged at $26.1 billion, plus $107.3 million in contingent Medicaid appropriations that were authorized in House Bill 66 of the 126th General Assembly, total GRF appropriations for the base year were estimated at $26.2 billion. OBM's next step in carrying out this calculation was to deduct from the total appropriations, those appropriations that are specifically exempt from the SAL – appropriation of federal grant moneys, tax relief and refund payments, and appropriation of moneys received as gifts. At the time it was assumed that current appropriation levels for those items would remain unchanged at just under $7.1 billion, thus the estimated aggregate GRF appropriations amount for fiscal year 2007 which served as the base for fiscal years 2008 through 2011 were set at $19.1 billion.

State Appropriation Limitation

Having established the base of $19.1 billion, the next step in calculating the SAL for each budget was to determine the growth rate that would be applied. Per statutory requirements, OBM determined whether an increase of 3.5 percent or the combination rate would be greater for each fiscal year. Using the required data from the Consumer Price Index and population growth data available for Ohio, OBM estimated that the growth rate for each year would be 3.5 percent and applied that rate to the fiscal year 2007 base amount each time the calculation was redone. Using this process, by fiscal year 2011, the SAL had grown from its original $19.1 billion to $21.9 billion, which due to the downturn in the economy and corresponding budget reductions in reaction to the recession of 2007 to 2009 was well above aggregate GRF appropriations.

Reset Year Two and Set SAL for Second Biennium

While the above process has been used to set the SAL in past years, during the second year of each biennium, OBM has been required to do a new set of calculations in order to determine if the SAL calculation should have used a different method for estimating the second year increase (i.e. was the combination rate higher than 3.5 percent) and then, if necessary resetting the limitation using the appropriate method. Specifically, in carrying out these calculations, the statute requires reexamining the estimate originally used to set the SAL using the most recently published data on inflation. For example, it was possible that in fiscal year 2013, the Combination Rate identified for fiscal year 2013 may have been estimated to be too low (due most likely to inflation) and as a result the SAL for fiscal year 2013 would have been set assuming a 3.5 percent increase. If in the reexamination, it was determined that the Combination Rate was in excess of 3.5 percent, OBM would have been required to recalibrate the SAL by adjusting the base of 2013 to reflect an increase greater than 3.5 percent and this base would serve as the estimated aggregate GRF appropriation level used to set the SAL for fiscal years 2014 and 2015, regardless of the actual fiscal year 2013 appropriations. Since however, the most recent data on the Consumer Price Index – Midwest Region available from the Bureau of Labor Statistics confirms that the assumptions used in calculating the aggregate GRF appropriation levels in past years was correct.

Four Year Recast of the SAL Estimated Impact for Fiscal Years 2014 and 2015

In addition to recalculating or resetting the SAL in the second year of each biennium, as part of the process of setting the limitation for the fiscal years 2012 and 2013 biennium, the Governor and OBM were required in 2011 to recast the limitation for the first time. Specifically, while the SAL in effect for fiscal years 2008-2011 was increased from the base year of fiscal year 2007 regardless of aggregate GRF appropriation levels, the recast requirement mandated that the SAL for fiscal year 2012 be based on the fiscal year 2011 estimated aggregate GRF appropriations, not on an inflation adjusted figure of the fiscal year 2011 SAL.

While the SAL for fiscal year 2011 was set at $21.9 billion as a result of four years of inflation-adjusted increases from the 2007 aggregate GRF appropriations levels, the limitation for fiscal years 2012 and 2013 had to be recast using estimated aggregate GRF appropriations levels for 2011. As a result, OBM reviewed fiscal year 2011 appropriations, including those aggregate GRF appropriations moved to other sources of funding as a result of past budget decisions. These included the significant migration of Medicaid appropriations to non-GRF sources as a result of the use of one-time funds including enhanced FMAP. In fiscal years 2012 and 2013, these are spending items that were in large part being moved back to the GRF. In addition, also included in the fiscal year 2011 base were other non-GRF appropriations for Public Defender, Public Safety, Natural Resources, Commerce, and Education that were moved to other sources of funding during prior budgets but that were items that were part of the aggregate GRF appropriations in fiscal year 2007. As a result, fiscal year 2011 aggregate GRF appropriations were estimated at $18.3 billion. Based on the allowable growth rate, which in 2012 and 2013 is estimated to be no more than 3.5 percent, the State Appropriation Limitation for those fiscal years is set at $18.9 billion and $19.6 billion respectively. Using the rebased limitation set for fiscal years 2012 and 2013, and applying the greater of the inflation rate and the combination rate of growth to fiscal year 2013, OBM estimates that the SAL for fiscal years 2014 and 2015 should increase by 3.5 percent each year (see table 1) and set at $20.3 billion in 2014 and $21.0 billion in 2015. At that limitation, aggregate GRF appropriation levels in the Executive Budget for fiscal years 2014 and 2015, which total $19.8 billion and $20.3 billion, are estimated to be $471 million and $728 million below the limitation in the respective fiscal years. Included in the aggregate GRF appropriations are not only those moved to other funding sources (estimated at $1.3 billion and $1.2 billion in fiscal years 2014 and 2015 respectively).

State Appropriation Limitation

Figure -11: State Appropriations Limitation vs Appropriations FY 2014 – 2015
($ in millions)

	2013 (Est)	2014	2015
Total General Revenue Fund Appropriations	**$28,622**	**$30,572**	**$32,662**
Minus - Tax Relief	$1,711	$1,805	$1,878
Minus - Estimated Refunds	$0	$0	$0
Minus - Estimated Gifts	$0	$0	$0
Minus - Federal Grants (including federal grants for Appropriations Moved to Other Sources)	$9,098	$10,217	$11,765
Plus - State GRF Appropriations Moved to Other Sources	$922	$1,247	$1,229
Aggregate GRF Appropriations	**$17,951**	**$19,797**	**$20,249**
State Appropriations Limitation	**$19,583**	**$20,268**	**$20,977**
Over (Under)	**N/A**	**($471)**	**($729)**

Capital Improvements and Long-Term Financing

Capital Budgeting Process

In even-numbered years the state engages in a separate budgeting process for its capital expenditures – the construction or improvement and equipping and furnishing of buildings and other structures and the acquisition of real estate (or interests therein). The purpose of Ohio's capital planning and budgeting process is to facilitate decisions regarding the allocation of dollars available for capital improvements for use by state agencies, colleges and universities, K-12 schools and local government infrastructure. As is the case with virtually all budget processes, the demand for resources exceeds their availability.

Most capital appropriations are supported by long-term debt issued the state, with the principal and interest payments on that debt funded primarily by GRF appropriations made in future operating budgets. As a result, capital bill appropriations directly impact operating budgets. The capital budgeting process attempts to balance the needs of state agencies and local communities in producing a two-year budget that is affordable within projected available resources.

The process for developing the capital budget involves the affected state agencies, the Office of Budget and Management (OBM), the Governor, and the General Assembly. Every two years, state agencies submit to OBM, pursuant to Section 126.03 of the Ohio Revised Code, a six-year capital improvements plan and a more detailed two-year capital budget. OBM issues guidelines to agencies describing the format and content for agency capital budget requests.

Concurrent with the receipt of agency requests, OBM projects the affordable size of capital appropriations based on a number of factors including the availability of cash (non-debt) capital resources, projected revenues, and competing noncapital uses for those funds. OBM projects the affordable amount of debt-supported appropriations by considering the amount of state debt previously issued and outstanding, the amount of debt previously authorized but yet to be issued, the projected level of the state revenue(s) pledged to repay the debt, and projected market interest rates. Determinations regarding the amount of GRF debt-supported appropriations that may be authorized in the capital budget are subject to a 1999 constitutional amendment generally providing (subject to limited exceptions) that state debt obligations payable from the GRF or net state lottery proceeds may not be issued if future fiscal year debt service on those new and any already outstanding obligations would exceed five percent of the total estimated GRF revenues plus net state lottery proceeds during the fiscal year of issuance. The director of OBM is authorized by the Governor to make those determinations.

OBM works with the Governor to devise a capital spending plan that fits within the available resources, reflects the Governor's priorities, and meets the needs of state agencies and local entities. The capital plan is then drafted into a bill and submitted to the General Assembly for the same review and process described in the discussion of the operating budget bill.

Fiscal Years 2013 and 2014 Capital Appropriations

Consistent with the Governor's commitment to restrain government spending, the 2013-2014 capital bill (H.B. 482, 129th General Assembly) was restrained in size and included as priority the maintenance of upkeep of the core capital responsibilities. H.B. 482 contained $1.74 billion in new capital appropriations for the 2013-2014 capital biennium. The General Assembly made additional 2013-2014 capital appropriations totaling $42 million, bringing total new capital appropriations for the 2013-2014 capital biennium to a total of $1.78 billion. Of that amount, $1.4 billion is to be funded by the issuance of bonds, the debt service on which is to be paid from GRF appropriations. The remaining $380 million was funded by various non-GRF cash sources ($130 million) and State lottery profit fees and revenues from implementation of video lottery terminals at Ohio's seven horse racing tracks ($250 million). The General Assembly also renewed $50 million of additional GRF-supported debt authorization for the 2013-14 capital biennium for funding emergency capital needs. To date, $12.7 million of this emergency capital authorization has been allocated, with $6.0 million to repair tornado damage at an Ohio State University facility, $3.5 million to the Department of Agriculture for a dangerous animal holding facility, $2.1 million to the Department of Youth Services, and the remaining $1.1 million to various facilities of the Ohio Historical Society.

Despite the restrained size of the 2013-14 capital bill, significant state support was provided to assist local communities and higher education institutions to preserve and improve their infrastructure as a tool for economic growth. The largest portion of capital appropriations for the 2013-14 capital biennium ($675 million) was provided to the Ohio School Facilities Commission to cover the state's share of the cost of construction of K-12 school facilities. The next largest portion ($400 million) was appropriated to the Board of Regents to address the capital needs of Ohio's colleges and universities. At the Governor's request, the state's 37 higher education institutions engaged in a collaborative process to develop a capital funding plan that focused on four strategic areas: public-private partnerships, workforce development, interdisciplinary approaches and long-term maintenance. The Public Works Commission received appropriations totaling $363.5 million used to support grants and loans for local government infrastructure projects. New capital appropriations were also provided to state agencies with a focus on preserving and extending the useful life of existing state assets. The Department of Rehabilitation and Corrections received $68

million to support general facility renovations and improvements and the Department of Administrative Services received $30 million including $15.5 million for renovations and improvement to the State of Ohio Computer Center that will permit the consolidation of IT services for a number of state agencies.

Figure C-12 provides a summary of 2013-2014 capital appropriations (both GRF and non-GRF backed) by agency.

Figure C-12: Fiscal Years 2013 and 2014 Capital Appropriations
($ in Thousands)

Agency	GRF Debt Funds	Other Funds	Total
Adjutant General	$6,000	$12,771	$18,771
Administrative Services	30,000	-0-	30,000
Agriculture	7,000	-0-	7,000
Attorney General	14,504	-0-	14,504
Board of Regents/Higher Education	400,000	-0-	400,000
Capitol Square Review and Advisory Board	2,200	-0-	2,200
Commerce	-0-	2,500	2,500
Ohio Cultural Facilities Commission	7,500	-0-	7,500
Development	10,000	-0-	10,000
e-Tech Ohio	3,562	-0-	3,562
Expositions Commission	7,500	-0-	7,500
Job and Family Services	-0-	928	928
Mental Health	10,000	-0-	10,000
Mental Retardation	14,635	-0-	14,635
Natural Resources	38,440	12,800	51,240
Public Safety	320	6,963	7,283
Public Works Commission	336,000	63,500	399,500
Rehabilitation and Correction	67,887	-0-	67,887
School Facilities Commission	425,000	250,000	675,000
School for the Blind	1,049	-0-	1,049
School for the Deaf	1,314	-0-	1,314
Veterans' Home	3,916	26,121	30,037
Youth Services	15,463	-0-	15,463
Total	**$1,402,291**	**$375,582**	**$1,777,874**

Capital Budget's Impact on the Operating Budget

The capital budget's most obvious relationship to the operating budget is the debt service requirements it generates. Debt service is the payment of interest and principal to retire debt obligations issued to fund capital appropriations. The section below titled "Overview of Capital Financing" provides detailed information on state capital financing purposes, including the cost of debt service in the current biennium.

The capital budget also relates to the operating budget in other ways. Projects that lead to an expansion of space and service levels generally require additional employees to provide services and maintain that space. As a result, state agencies that receive capital appropriations may experience increases in their operating budgets once a new capital project has been completed. Conversely, some projects may lead to a decrease in operational spending due to efficiencies gained through consolidation or modernization. For example, the Department of Administrative Services is renovating and improving the State of Ohio Computer Center that will permit the consolidation of IT services for a number of state agencies. This consolidation not only makes sense from an operating standpoint, but will also result in greater efficiencies moving forward. Another capital project that is expected to general operational savings is the Adjutant General's construction of a new armory. This project is part of a long-term facility realignment process that is consolidating operations into fewer facilities by closing smaller, outdated armories across the state and consolidating their activities into fewer modern facilities.

Capital Improvements and Long-Term Financing

Overview of Capital Financing

Ohio began major capital construction programs for highway and non-highway projects when under constitutional amendments passed by the voters starting in 1953. These capital programs have resulted in the construction and improvement of highways, public school buildings, higher education facilities, parks and recreation facilities, mental health and correctional facilities, airports, pollution control facilities, and local government infrastructure. The projects have been financed largely by the issuance of bonds that are retired over varying periods (currently ranging from 7 to 20 years). This financing method allows payments of the capital costs to be spread over a period of time (but not to exceed the useful life of the bond-financed facilities).

Capital improvements are financed via the issuance of several types of obligations, including general obligation bonds, special obligation bonds (lease-rental and revenue bonds), economic development bonds, and certificates of participation, and occasionally from current revenue cash balances.

General Obligation Bonds

Since 1953, many capital improvements have been financed through the issuance of general obligation bonds backed by the state's full faith and credit. General obligation bonds are issued by the Ohio Public Facilities Commission and, for highway purposes, by the Treasurer of State. Unless expressly exempted, state revenues from almost all tax and non-tax sources are pledged to the repayment of these general obligations. Exceptions are highway user receipts, which may only be used for financing highway projects, and state lottery profits, which may only be used for financing primary and secondary education facilities. Such general obligation debt must be authorized by a constitutional amendment approved by the voters.

<u>Ohio Public Facilities Commission</u>**.** The Ohio Public Facilities Commission issues general obligation bonds for primary and secondary education, higher education, natural resources, coal research and development, conservation projects, local infrastructure improvements, Third Frontier research and development, job-ready site development, and veterans compensation. Each of these currently authorized programs is described below, with the General Assembly determining the amount of bonds authorized to be issued (within the indicated constitutional limitations) in each capital biennium.

Veterans Compensation. A 2009 constitutional amendment authorizes the issuance of state general obligation debt to provide compensation to persons who have served in active duty in the United States armed forces at any time during the Persian Gulf, Afghanistan, and Iraq conflicts. Not more than $200 million may be issued and no obligations may be issued later than December 31, 2013. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

Third Frontier Research and Development. Constitutional amendments in 2005 and 2010 authorize the issuance of $1.2 billion of general obligation debt in support of Ohio industry, commerce, and business. No more than $450 million total may be issued in state fiscal years 2006 through 2011, no more than $225 million in fiscal year 2012, and no more than $175 million in any fiscal year thereafter. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

Site Development. A 2005 constitutional amendment authorizes the issuance of $150 million of general obligation debt for the development of sites for industry, commerce, distribution, and research and development. Not more than $30 million was permitted to be issued in each of the first three fiscal years and not more than $15 million in any other fiscal year. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

Conservation. Constitutional amendments in 2000 and 2008 authorize $400 million of general obligation debt to be issued to finance preservation of green space, development of recreational trails, and protection of farmland, all through partnerships with local governments. Not more than $50 million may be issued in any fiscal year. Additional debt may be issued as outstanding debt is retired, provided that not more than $400 million is outstanding at any time. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

Primary and Secondary Education. A 1999 constitutional amendment authorizes general obligation debt to be issued to pay the costs of capital facilities for a system of common public schools throughout the state. There is no constitutional limit on the amount of debt that can be outstanding at any time. The full faith and credit, revenue (including net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt

Higher Education. That same 1999 constitutional amendment authorizes general obligation debt to be issued to pay the cost of capital facilities for state-supported and state-assisted institutions of higher education. There is no constitutional limit on the amount of debt that can be outstanding at any time. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

Infrastructure Improvements. A 1995 constitutional amendment authorized the issuance of $1.2 billion of general obligation debt to finance or assist the financing of public infrastructure capital improvements of municipal corporations, counties, townships, and other government entities, with not more than $120 million issued in any fiscal year. A 2005 constitutional amendment authorizes an additional $1.35 billion of general obligation debt as a ten-year extension of this program, with an increase in the annual issuance amount in the last five years from $120 million to $150 million. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power of the state (excluding highway user receipts) are pledged to retire this debt.

Natural Resources. A 1993 constitutional amendment authorizes $200 million of general obligation debt to be issued to finance capital facilities for parks and natural resources improvements. Additional debt may be issued as outstanding debt is retired, provided that no more than $200 million is outstanding at any time. Not more than $50 million may be issued in any fiscal year. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

Coal Research and Development. A 1985 constitutional amendment authorizes $100 million of general obligation debt to be issued to finance grants, loans, or loan guarantees for research and development of coal technology that will encourage the use of Ohio coal. Funding is available to any individual, association, or corporation doing business in Ohio, as well as any educational or scientific institution located in the state. Additional debt may be issued as outstanding debt is retired, provided that not more than $100 million is outstanding at any time. The full faith and credit, revenue (excluding net state lottery proceeds), and taxing power (excluding highway user receipts) of the state are pledged to retire this debt.

Treasurer of State. The Treasurer of State issues general obligation bonds for highway construction, as summarized below:

Highway (Capital Improvements). A 1995 constitutional amendment authorizes the issuance of general obligation debt for highway construction. The amendment provides that as this debt is retired additional debt may be issued so long as no more than $1.2 billion is outstanding at any time. No more than $220 million may be issued in any fiscal year. Though secured by the state's full faith and credit, debt service on these general obligations has always been paid from highway user receipts (including the motor vehicle fuel tax).

Figure C-13 provides summary information for the state's general obligation bonds as of June 30, 2012.

Figure C-13: General Obligation Bonds
($ in Thousands)

Purpose	Fiscal Years Issued	Amount Issued[a]	Maturing through Fiscal Year	Outstanding Balance
Infrastructure Improvements	1990-12	$2,999,986	2032	$1,742,961[b]
Coal Research & Development	1992-12	210,000	2022	27,145
Natural Resources	1995-12	348,000	2027	154,040
Highway Capital Improvements	1997-11	2,290,000	2025	663,140
Higher Education Facilities	2000-12	2,600,000	2032	2,020,865
Common School Facilities	2000-12	3,870,000	2032	3,069,625[c]
Conservation Projects	2002-11	300,000	2026	214,440
Third Frontier R&D	2007-12	460,700	2022	371,170
Site Development	2007-11	115,000	2021	93,085
Veterans Compensation	2011-12	65,910	2027	64,910
Total		**$13,259,596**		**$8,421,381**

Notes:
(a) The amount of bonds issued solely for refunding purposes is excluded from the amount issued.
(b) Includes $273,175,000 in adjustable rate bonds.
(c) Includes $358,310,000 in adjustable rate bonds.

Lease-Rental Bonds

Prior to fiscal year 2000, most of the state's capital projects were funded through the issuance of lease-rental bonds. These bonds constitute a special type of bonded debt, with their debt service payable from the lease-rental payments subject to biennial GRF appropriations enacted in the state's operating budget. Lease-rental bonds do not carry the state's full faith and credit, and bondholders have no right to have taxes or excises levied by the General Assembly for the payment of debt service.

The Treasurer of State issues lease-rental bonds for parks and recreation and mental health facilities, and for facilities to house branches and agencies of state government and their functions, including state office buildings and facilities for the Department of Administrative Services and others, the Department of Public Safety and Bureau of Workers' Compensation; juvenile detention facilities for the Department of Youth Services; and Department of Rehabilitation and Correction prisons and various cultural and sports facilities. Debt service is paid from GRF lease-rental appropriations, except for (i) public safety facilities, which are paid from the State Highway Safety Fund, and (ii) workers' compensation facilities, which are paid from the Bureau of Workers' Compensation Administrative Fund. Effective January 1, 2012, the Treasurer of State replaced the Ohio Building Authority as bond issuing authority for certain of these purposes.

Figure C-14 presents summary information for the state's lease-rental bonds as of June 30, 2012.

Figure C-14: Lease-Rental Bond
($ in Thousands)

Issuer / Purpose	Fiscal Years Issued	Amount Issued[(a)]	Maturing Through Fiscal Year	Outstanding Balance
Prison Facilities	1986-11	$1,839,500	2031	$642,210
Juvenile Facilities	1993-11	297,000	2025	152,005
Administrative Service Facilities	1992-12	1,646,000	2032	713,245
Public Safety Facilities[(b)]	1995-09	140,285	2021	16,820
Workers' Compensation[(b)]	1993	214,255	2014	31,115
Higher Education Facilities	1992-99	4,817,590	2014	61,530
Mental Health Facilities	1992-10	1,392,085	2020	146,730
Parks & Recreation Facilities	1993-11	408,000	2026	129,870
Cultural & Sports Facilities	1993-11	486,690	2021	156,675
Total		**$11,241,405**		**$2,050,200**

Notes:
[(a)] The amount of bonds issued solely for refunding purposes is excluded from the amount issued.
[(b)] Debt service paid from non-GRF sources.

Certificates of Participation

The Department of Administrative Services has entered into lease-purchase agreements supporting the issuance of certificates of participation (COPs) issued to finance state buildings and equipment, information systems, and non-highway related projects. The lease payments are made from charges to the user and/or biennial appropriations for lease payments that are included in the operating budget. Holders or owners of the COPs have no right to have excises or taxes levied to make those payments.

Figure C-15 presents summary information for COPs financing arrangements as of June 30, 2012.

Figure C-15: Certificates of Participation
($ in Thousands)

Purpose	Fiscal Years Issued	Amount Issued[(a)]	Maturing through Fiscal Year	Out-standing Balance
Youngstown Community Improvement District	1998	$6,615	2029	$5,440
Rickenbacker Port Authority (Lazarus)	1998	16,455	2023	10,425
Ohio Administrative Knowledge System	2005-09	185,175	2019	123,985
State Taxation Accounting & Revenue System	2008	40,080	2019	29,710
The Riversouth Authority (Lazarus)	2008	16,500	2028	16,500
Total		**$264,825**		**$186,060**

Notes:
[(a)] Any amount issued solely for refunding purposes is excluded in determining the amount issued.

Bonds Paid from Other State Funds

Economic Development. These bonds are issued by the Treasurer of State for the Development Services Agency's Direct Loan, Innovation Ohio, Research and Development, Logistics and Distribution programs, and for the Air Quality Development Authority's Advanced Energy Program, all under Chapter 166 of the Revised Code. These bonds provide financing for loans to businesses within the state for economic development projects that create or retain jobs in the state. The bonds are secured by a pledge of and their debt service is paid from the net profits derived from the state's liquor enterprise.

Clean Ohio Revitalization Program. Constitutional amendments in 2000 and 2008 authorize $400 million of bonds to provide financing for grants and loans to projects that provide for the environmentally safe and productive development and use or

reuse of publicly- and privately-owned lands within the state. Not more than $50 million may be issued in any fiscal year. Additional debt may be issued as outstanding debt is retired, provided that not more than $400 million is outstanding at any time. These bonds are issued by the Treasurer of State and are payable from a portion of net profits derived from the state's liquor enterprise).

Figure C-16 presents summary information for those bonds paid from state liquor profits as of June 30, 2012.

Figure C-16: Bonds Paid from State Liquor Profits
($ in thousands)

Purpose	Fiscal Years Issued	Amount Issued[(a)]	Maturing through Fiscal Year	Out-standing Balance
Economic Development	1997-12	$629,740	2030	$493,855
Revitalization	2003-12	315,000	2026	257,575
Total		**$944,740**		**$751,430**

Highway State Infrastructure Bank (GARVEE). The Treasurer of State issues bonds for the Ohio Department of Transportation for selected highway construction projects that have been approved by the U.S. Department of Transportation. The debt service on these bonds is secured by and payable from pledged Federal Title 23 Highway Funds received and to be received by the state for highway projects.

Figure C-17 presents summary information for GARVEE bonds as of June 30, 2012.

Figure C-17: GARVEE Bonds
($ in thousands)

Purpose	Fiscal Years Issued	Amount Issued[(a)]	Maturing through Fiscal Year	Out-standing Balance
Major New State Infrastructure	1998-11	$1,648,765	2021	$845,850

Revenue Bonds
Revenue bonds are used by the state to finance a specific project or category of projects. Debt service is paid from revenues or fees that are charged for the use of facilities. Various state authorities and commissions have been created by the legislature and authorized to issue bonds payable from project revenues or other special revenues. These include the Buckeye Tobacco Settlement Financing Authority, the Ohio Turnpike Commission, the Higher Education Facilities Commission, the Ohio Housing Finance Agency, the Ohio Water Development Authority, and the Petroleum Underground Storage Tank Release Compensation Board. The funds borrowed by these authorities and the sources of debt service payments on these obligations are outside the state treasury and are not subject to General Assembly appropriation.

The Department of Development, the Ohio Water Development Authority, and the Ohio Air Quality Development Authority have also issued industrial development or pollution control revenue bonds, the debt service on which is paid solely by the benefited business or project (not from state revenues).

Debt and Interest Rate Risk Management Policy
The Office of Budget and Management (OBM) in collaboration with the two issuers of debt backed by state revenues – the Ohio Public Facilities Commission and the Treasurer of State – developed and maintains a Debt and Interest Rate Risk Management Policy. This policy is intended to ensure that financings undertaken by the two issuers satisfy established standards that protect the state's financial resources and position in order to meet its long-term capital financing needs. The policy largely formalized pre-existing practices and procedures for issuing debt and managing a debt portfolio based upon the state's overall capital improvement needs. The policy highlights the following as primary objectives of the state issuers: i) achieving the lowest cost of

capital, ii) ensuring high credit quality, iii) assuring access to the capital credit markets, iv) preserving financial flexibility, and v) managing interest rate risk exposure.

Debt Service and Outstanding Debt

Figure C-18 shows certain historical debt information and comparisons. These tables include only outstanding obligations of the state for which debt service is paid from the GRF. Highway obligations and obligations issued by the Treasurer of State (formerly Ohio Building Authority) for the Department of Transportation and Department of Public Safety, and the Bureau of Workers' Compensation are not included since they are paid from non-GRF sources.

Figure C-18: Outstanding GRF Debt Service and GRF Debt Service Spending

Year	Principal Amount Outstanding (as of July 1)	Outstanding Debt Per Capita	Outstanding Debt as % of Annual Personal Income
1980	$1,991,915,000	$184	1.84%
1990	$3,707,054,994	$342	1.83%
2000	$6,308,680,025	$556	1.93%
2008	$8,631,565,254	$749	2.06%
2009	$8,486,621,212	$735	2.09%
2010	$8,586,655,636	$744	2.06%
2011	$8,996,752,848	$780	2.06%
2012	$9,760,505,915	$845[a]	2.23%[b]

Fiscal Year	Debt Service Payable	Total GRF Revenue and Net State Lottery Proceeds	Debt Service as % of GRF Revenue and Lottery Proceeds	Debt Service as % of Annual Personal Income
1980	$187,478,382	$4,835,670,223	3.88%	0.17%
1990	$488,676,826	$12,230,681,298	4.00%	0.24%
2000	$871,313,814	$20,711,678,217	4.21%	0.27%
2008	$1,231,640,023	$27,331,442,423	4.51%	0.29%
2009	$1,075,937,540[c]	$26,809,692,000[d]	4.01%	0.27%
2010	$710,284,236[c]	$24,108,466,124[d]	2.95%	0.17%
2011	$755,023,015[c]	$26,777,133,000[d]	2.82%	0.17%
2012	$692,776,090[c]	$27,956,513,000	2.48%	0.16%[b]

Notes:
[a] Based on July 2012 population estimate.
[b] Based on 2011 personal income data.
[c] Reduction is primarily due to the restructuring of GRF debt service payments resulting in net savings of $52.8 million, $416.8 million, $336.9 million, and $449.3 million in Fiscal Years 2009-2012, respectively.
[d] Excludes federal funds from the American Recovery and Reinvestment Act of 2009.

Capital Improvements and Long-Term Financing

Status of Capital Improvements Debt

Figure C-19 shows summary and selected information concerning changes in long-term obligations as of June 30, 2012, and Figure C-20 shows estimated issuance amounts and debt service costs for the fiscal year 2012-2013 biennium. The debt service appropriations for general obligation bonds are in the Governor's proposed operating budget for each of the benefiting state agencies for which obligations have been issued. The appropriations to pay debt service expenditures on special obligation bonds are included in the budgets of the Board of Regents, Department of Mental Health, Department of Developmental Disabilities, Department of Natural Resources, Department of Rehabilitation and Correction, Department of Administrative Services, Department of Youth Services, Cultural and Sports Facilities Commission, School Facilities Commission, Department of Transportation, Department of Public Safety, Department of Education, and the Bureau of Workers' Compensation.

Figure C-19: Changes in Outstanding Debt Obligations
($ in thousands)

	General Obligation Bonds	Lease Rental Bonds	Certificates of Participation	Economic Development	State Infrastructure Bonds	Total
Principal Outstanding as of July 1, 2010	$7,048,470	$2,348,535	$228,945	$573,735	$852,645	$11,052,330
Additions: Debt Issued	3,440,650	615,395	-0-	238,000	230,000	4,524,045
Deductions: Debt Retirement, Refundings & Defeasances	(2,067,739)	(913,730)	(42,885)	(60,305)	(236,795)	(3,321,454)
Principal Outstanding as of June 30, 2012	$8,421,381	$2,050,200	$186,060	$751,430	$845,850	$12,254,921

Figure C-20: Summary of State Debt as of June 30, 2012 and FY 2014 and 2015 Estimated New Issuance Amounts ($ in Thousands)

Security and Purpose	Constitutional Citation	Amount Authorized by the Legislature[a]	Amount Issued As of 6/30/12	Amount Outstanding On 6/30/12	Estimated Amount Issued in FYs 2014-2015	Estimated Debt Service for FYs 2014-2015[b]
General Obligations						
Higher Education	Sec 2n, Art. VIII	$3,028,000	$2,600,000	$2,020,865	$240,000	$469,991
Common Schools	Sec 2n, Art. VIII	4,270,000	3,870,000	3,069,625	900,000	729,171
Infrastructure	Sec 2k/2m/2p, Art VIII	3,450,000	2,999,986	1,742,961	300,000	456,759
Natural Resources	Sec 2l, Art. VIII	373,000	348,000	154,040	25,000	49,768
Coal R&D	Sec 15, Art. VIII	246,000	210,000	27,145	12,000	7,186
Conservation	Sec 2o/2q, Art. VIII	348,000	300,000	214,440	98,000	67,824
Third Frontier R&D	Sec. 2p, Art. VIII	850,000	460,700	371,170	300,300	150,295
Site Development	Sec. 2p. Art. VIII	150,000	115,000	93,085	35,000	34,623
Veterans Bonus	Sec. 2r, Art. VIII	200,000	65,910	64,910	15,090	17,457
Highway[c]	Sec 2m, Art. VIII	2,895,000	2,290,000	663,140	325,000	259,820
Total		$15,810,000	$13,259,596	$8,421,381	$2,250,390	$2,242,894
Special Obligations						
Admin. Services	Sec 2i, Art. VIII	$1,711,000	$1,646,000	$713,245	$65,000	$176,907
Adult Corrections	Sec 2i, Art. VIII	1,993,000	1,839,500	642,210	80,000	203,634
Juvenile Corrections	Sec 2i, Art. VIII	317,000	297,000	152,005	15,000	53,865
Cultural & Sports	Sec 2i, Art. VIII	518,000	486,690	156,675	40,000	62,961
Higher Education	Sec 2i, Art. VIII	4,817,590	4,817,590	61,530	-	5,805
Mental Health	Sec 2i, Art. VIII	1,541,000	1,392,085	146,730	50,000	63,840
Parks & Recreation	Sec 2i, Art. VIII	433,000	408,000	129,870	25,000	45,566
Public Safety [c]	Sec 2i, Art. VIII	143,000	140,285	16,820	-	4,945
Workers' Comp.[d]	Sec 2i, Art. VIII	214,255	214,255	31,115	-	16,026
Total		$11,687,845	$11,241,405	$2,050,200	$275,000	$633,550
Other						
Highway Infrastructure[e]	Sec 13, Art. VIII	n.a.	$1,648,765	$845,850	$100,000	$336,842
Economic Dvlpmt.[f]	Sec 13, Art. VIII	n.a.	629,740	493,855	0	0
Revitalization[f]	Sec 2o/2q, Art. VIII	$400,000	315,000	257,575	0	0
Total		$400,000	$2,593,505	$1,597,280	$100,000	$336,842

Notes:

[a] Reflects amounts authorized by the General Assembly through 12/31/2012.
[b] Debt service or lease payments paid from GRF unless otherwise noted. Totals may not add due to rounding.
[c] Debt service is paid from highway user receipts (including motor vehicle tax fuel tax receipts).
[d] Debt service is paid from appropriations from the BWC Administrative Cost Fund.
[e] Debt service on these "GARVEE" bonds is paid from federal transportation grants (Title 23 of the U.S. Code).
[f] Debt service is paid from profits derived from the State's liquor enterprise.

Capital Improvements and Long-Term Financing

Five Percent Debt Service Limit / Capital Affordability Analysis

Section 17 of Article VIII of the Ohio Constitution establishes an annual debt service "cap" applicable to most debt issuances payable from the GRF or net state lottery proceeds. Section 17 prohibits the issuance of debt payable from those sources if debt service in any future fiscal year on those new and the then outstanding bonds would exceed five percent of the total of estimated GRF revenues plus net state lottery proceeds for the fiscal year of issuance.

Debt obligations payable from the GRF include general obligation and special obligation bonds, but exclude (i) general obligation debt issued for Third Frontier research and development, site development, and veterans compensation purposes and (ii) general obligation debt payable from non-GRF funds (for example, highway bonds that are paid from highway user receipts). Application of the five percent limit may be waived in a particular instance by a three-fifths vote of each house of the General Assembly.

Debt obligations are typically issued as needed to ensure uninterrupted funding of the capital appropriations enacted by the General Assembly from bond proceeds. To determine the affordable amount of new capital appropriations under the five percent limit, OBM utilizes a model that takes into account i) existing GRF debt service, ii) estimated GRF debt service from bond authorizations passed by the General Assembly for which bonds will be issued in the near-term, iii) projected GRF debt service from alternative amounts of new capital appropriations, and iv) projections of total GRF revenue plus net state lottery proceeds. The forecasts of GRF revenue for future fiscal years exclude any one-time federal stimulus funds. The model also reflects conservative assumptions with respect to the timing, amount, and applicable interest rates for projected future bond sales.

The fiscal year 2008-2009 biennial operating budget bill (H.B. 119 of the 127th General Assembly) created the Buckeye Tobacco Settlement Financing Authority to securitize tobacco settlement receipts payable to the state under the 1998 National Tobacco Master Settlement Agreement. In October 2007, the authority issued $5.53 billion in Tobacco Settlement Asset-Backed Bonds to fund capital expenditures for higher education and common school facilities in lieu of the state issuing GRF-backed general obligation bonds for those purposes. As a result, the state reduced its reliance on GRF-backed debt and lowered its position relative to the five percent limit. Debt service on the tobacco bonds is paid solely from tobacco settlement receipts with no recourse to any funds of the state. The tobacco bond proceeds were fully expended in Fiscal Year 2012 prompting the state to return to general obligation bond funding of capital appropriations for both common schools (K-12) and higher education school facilities.

Figure C-21 below shows the historical position of State debt payments relative to the five percent debt service limitation and estimates that position for end of Fiscal Year 2014 based on the amount of GRF revenue plus net state lottery proceeds presented in this Executive Budget.

Figure C-21: GRF Debt Capacity and the Five Percent Debt Service Limit

Capital Biennium	Capital Appropriations Backed by GRF Debt Subject to the 5% Limit[a]	Debt Service Percent of GRF Revenue and Net State Lottery Proceeds (the 5% Limit)
FY 2007-08 act.	$2,381,167,100	4.45%
FY 2009-10 act.	$1,537,457,200	2.84%[b]
FY 2011-12 act.	$847,900,000	2.30%[b]
FY 2013-14 est.	$1,402,291,100	3.84%

Notes:

[a] Reflects only those capital appropriations funded by debt obligations payable from the GRF or net state lottery proceeds that are subject to the five percent limit.

[b] Reflects sizable reductions in GRF debt service as a result of debt service restructurings totaling $416.8 million in Fiscal year 2010 and $449.3 million in Fiscal Year 2012.

State of Ohio Personnel

Figure C-22: Summary of State of Ohio Personnel
Fiscal Years 2012 and 2013

Actual		
FY 2012 (July 2011)	FY 2013 (July 2012)	% Change
57,266	55,263	-3.5%

Figure C-22 summarizes state agency employment figures for fulltime and part-time employees in the following employment types:

- Established Term: These employees are established by agency-specific and collective bargaining agreements and have a limited duration of work dependent upon the needs of the department.
- Fixed Term: These employees have been appointed or elected to serve for a period fixed by law. Fixed-term salaried employees receive a fixed salary set by law. Fixed-term per diem employees receive compensation on a daily basis for attending meetings and/or conducting official business on behalf of the agency.
- Interim: These employees work for an indefinite period of time that is fixed by the length of absence of an employee due to sickness, disability, or approved leave of absence.
- Intermittent: These employees work an irregular and unpredictable schedule, which is determined by the fluctuating demands of the work. Typically, these employees work fewer than 1,000 hours per year.
- Permanent: These employees hold a position that requires a regular schedule of 26 consecutive biweekly pay periods, or any other regular schedule of comparable consecutive pay periods that is not limited to a specific season or duration.
- Project Employees: These employees are hired in connection with a special project having a limited-term funding source, such as a federal grant.
- Seasonal: These employees work a certain regular season or period of each year performing some work or activity limited to that timeframe.
- Temporary: These employees hold their positions for a limited period of time, which is fixed by the appointing authority for a period not to exceed six months.

Data for fiscal years 2012 and 2013 are from the start of each fiscal year – July 2011 and July 2012, respectively. The Department of Administrative Services' Human Resources Division produces the data for its Monthly Report – Number of State Employees (i.e. the "Trend Report").

Figure C-22 above shows that state employment declined 3.5 percent between the start of fiscal year 2012 and the start of fiscal year 2013. In fiscal years 2014 and 2015, the number of state employees is expected to hold relatively steady.

Note that these figures represent a point in time during each fiscal year and do not necessarily represent either the minimum or maximum staffing levels for the period. Certain position types, particularly certain non-permanent position types, may or may not be captured in these data simply because of the points in time represented.

Figure C-23 below shows more detailed state agency employment figures for the fiscal year 2012-2013 biennium for all employment types described above.

State of Ohio Personnel

Figure C-23: Detail of State of Ohio Personnel by Agency
Fiscal Years 2012 and 2013

	Actual		
Agency	FY 2012 (July 2011)	FY 2013 (July 2012)	% Change
Accountancy Board of Ohio	18	18	0.0%
Adjutant General's Department	313	311	-0.6%
Administrative Services, Department of	839	811	-3.3%
Aging, Department of	106	93	-12.3%
Agriculture, Department of	434	419	-3.5%
Air Quality Development Authority	9	9	0.0%
Alcohol and Drug Addiction Services, Department of	97	94	-3.1%
Arts Council	18	15	-16.7%
Athletic Commission	8	8	0.0%
Attorney General	1,507	1,692	12.3%
Auditor of State	823	811	-1.5%
Barber Board	10	9	-10.0%
Budget and Management, Office of	219	217	-0.9%
Capital Square Review and Advisory Board	62	61	-1.6%
Career Colleges and Schools, Board of	9	9	0.0%
Casino Control Commission	7	39	457.1%
Chemical Dependency Professionals Board	15	13	-13.3%
Chiropractic Board	10	9	-10.0%
Civil Rights Commission	77	78	1.3%
Claims, Court of	35	29	-17.1%
Commerce, Department of	948	979	3.3%
Consumers' Counsel, Office of the	45	36	-20.0%
Cosmetology, Board of	44	46	4.5%
Counselor, Social Worker, and Marriage and Family Therapist Board	26	26	0.0%
Cultural Facilities Commission	13	7	-46.2%
Dental Board	27	26	-3.7%
Development Services Agency	429	361	-15.9%
Developmental Disabilities, Department of	3,134	2,839	-9.4%
Dietetics, Board of	9	7	-22.2%
Education, Department of	662	601	-9.2%
Elections Commission	9	10	11.1%
Embalmers and Funeral Directors, Board of	13	13	0.0%
Employment Relations Board	34	37	8.8%
Engineers and Surveyors, Board of	13	13	0.0%
Environmental Protection Agency	1,217	1,206	-0.9%
Environmental Review Appeals Commission	5	6	20.0%
eTech Ohio Commission	61	44	-27.9%

State of Ohio Personnel

Agency	Actual FY 2012 (July 2011)	Actual FY 2013 (July 2012)	% Change
Ethics Commission	19	19	0.0%
Examiners of Architects, Board of	14	13	-7.1%
Expositions Commission	160	673	320.6%
Governor, Office of the	38	34	-10.5%
Health, Department of	1,282	1,244	-3.0%
Hispanic/Latino Affairs, Commission on	14	13	-7.1%
Housing Finance Agency	175	173	-1.1%
Industrial Commission	424	417	-1.7%
Inspector General, Office of	19	18	-5.3%
Insurance, Department of	261	264	1.1%
Job and Family Services, Department of	3,809	3,724	-2.2%
Joint Legislative Ethics Commission	6	6	0.0%
Judicial Conference of Ohio	9	10	11.1%
Judiciary / Supreme Court	1,458	1,448	-0.7%
Lake Erie Commission	3	4	33.3%
Legal Rights Service	46	43	-6.5%
Legislative Service Commission	196	196	0.0%
Library Board	68	69	1.5%
Liquor Control Commission	7	8	14.3%
Lottery Commission	330	338	2.4%
Manufactured Homes Commission	6	6	0.0%
Medical Board	99	92	-7.1%
Medical Transportation Board	3	3	0.0%
Mental Health, Department of	2,615	2,679	2.4%
Minority Health, Commission on	5	5	0.0%
Motor Vehicle Collision Repair Registration Board	10	9	-10.0%
Natural Resources, Department of	2,674	2,660	-0.5%
Nursing, Board of	70	76	8.6%
Occupational Therapy, Physical Therapy, and Athletic Trainers Board	28	25	-10.7%
Optical Dispensers Board	12	13	8.3%
Optometry, State Board of	7	9	28.6%
Orthotics, Prosthetics, and Pedorthics, Board of	1	2	100.0%
Petroleum Underground Storage Tank Release Compensation Board	25	25	0.0%
Pharmacy, Board of	56	56	0.0%
Psychology, Board of	18	16	-11.1%
Public Defender Commission	134	132	-1.5%
Public Safety, Department of	3,699	3,708	0.2%
Public Utilities Commission of Ohio	360	355	-1.4%
Public Works Commission	10	10	0.0%
Racing Commission	20	20	0.0%

State of Ohio Personnel

Agency	Actual		
	FY 2012 (July 2011)	FY 2013 (July 2012)	% Change
Regents, Board of	73	73	0.0%
Rehabilitation and Correction, Department of	13,008	11,986	-7.9%
Rehabilitation Services Commission	1,170	1,024	-12.5%
Representatives, House of	319	305	-4.4%
Respiratory Care Board	14	12	-14.3%
Sanitarian Registration, Board of	2	2	0.0%
School Facilities Commission	66	62	-6.1%
School for the Blind	150	133	-11.3%
School for the Deaf	181	143	-21.0%
Secretary of State	166	162	-2.4%
Senate	185	186	0.5%
Service and Volunteerism, Commission on	6	6	0.0%
Southern Ohio Agricultural and Community Development Foundation	5	5	0.0%
Speech-Language Pathology and Audiology, Board of	11	11	0.0%
Tax Appeals, Board of	12	19	58.3%
Taxation, Department of	1,418	1,240	-12.6%
Transportation, Department of	6,173	5,883	-4.7%
Treasurer of State	126	117	-7.1%
Tuition Trust Authority	44	35	-20.5%
Veterans Services, Department of	859	875	1.9%
Veterinary Medical Board	9	7	-22.2%
Workers' Compensation, Bureau of	2,043	1,934	-5.3%
Youth Services, Department of	1,731	1,426	-17.6%

Figure C-24: Summary of State of Ohio Personnel-Related Expenditures
Fiscal Years 2012 and 2013

(in Millions)	Actual	Estimated	
Funds	FY 2012	FY 2013	% Change
GRF	1,818.3	1,823.9	0.3%
All Funds	4,264.9	4,288.8	0.6%

Figure C-24 summarizes all personnel-related expenses captured within the personal services expense account category. Amounts include basic wages, overtime compensation, paid leave and leave cash-outs, employer paid benefit expenses, and payroll surcharges for central services (e.g. payroll processing).

State personnel costs in fiscal year 2012 totaled $4.3 billion, with GRF expenses comprising $1.8 billion (42.6 percent) of that amount. Extrapolating fiscal year 2013 payroll expenses to date to the rest of the year shows that GRF state payroll is estimated to be $1.8 billion, increasing 0.3 percent compared to the prior year. Total state payroll for all funds in this fiscal year is estimated to be $4.3 billion, or 0.6 percent more than the prior year.